

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Maple Rapids</b>	County <b>Clinton</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>2/15/06</b>	Date Accountant Report Submitted to State: <b>4/19/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney</b>			
Street Address <b>3511 Coolidge, Suite 100</b>		City <b>East Lansing</b>	State <b>MI</b>
		ZIP <b>48823</b>	
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i>		Date <b>4/19/06</b>	

**Village of Maple Rapids  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2005**

Village of Maple Rapids  
Clinton County, Michigan

December 31, 2005

VILLAGE OFFICERS AND TRUSTEES

Mr. George Abbott, Jr.	President
Mr. Jeffrey Stephens	Trustee
Mr. Jim Gavenda	Trustee
Mr. William Schmidt	Trustee
Mr. Dion Kindel	Trustee
Mr. Tim Maier	Trustee
Mr. Daryl Trefil	Trustee
Mr. Robert Holland	Clerk
Ms. Melinda Thomas	Treasurer

Village of Maple Rapids

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**ABRAHAM & GAFFNEY, P.C.**  
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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and  
Members of the Village Council  
Village of Maple Rapids  
Maple Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Maple Rapids' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Maple Rapids' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 15, 2006

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The following is a discussion and analysis of Village of Maple Rapids' (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets were \$1,707,253.
- Governmental activities net assets were \$904,272.
- Business-type activity net assets were \$802,981.

**Fund Level:**

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$296,119 with \$26,397 being reserved for specific purposes.
- The General Fund realized \$24,905 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$59,043 less than appropriated.
- Overall, the General Fund balance increased by \$4,750 to \$159,179 with \$132,782 being undesignated and available for general purposes.

**Capital and Long-term Debt Activities:**

- The primary government issued no new debt for the year.
- The total long-term debt for the primary government was \$5,235 with a net reduction of \$4,968 from the prior year.
- The Village remains well below its authorized legal debt limit.
- The total addition to the capital asset schedule for the primary government was \$28,400.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds.

**Government-wide Financial Statements (Reporting the Village as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund make up the business-type activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

**Fund Financial Statements (Reporting the Village's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

## Village of Maple Rapids

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds and where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Maple Rapids include the General Fund, the Major Street Fund, the Local Street Fund, the Fire Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted).
- **Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

#### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

### **FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

As previously stated, the Village of Maple Rapids' combined net assets were \$1,707,253 at the end of this year's operations. The net assets of the governmental activities were \$904,272; the business-type activities were \$802,981.



Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**Net Assets as of December 31, 2005 and December 31, 2004**

	2004			2005		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current Assets	\$ 316,850	\$ 160,769	\$ 477,619	\$ 308,164	\$ 176,150	\$ 484,314
Capital Assets	646,453	659,304	1,305,757	613,388	629,103	1,242,491
<b>Total Assets</b>	<b>\$ 963,303</b>	<b>\$ 820,073</b>	<b>\$ 1,783,376</b>	<b>\$ 921,552</b>	<b>\$ 805,253</b>	<b>\$ 1,726,805</b>
Current Liabilities	\$ 15,260	\$ 501	\$ 15,761	\$ 17,280	\$ 2,272	\$ 19,552
Noncurrent Liabilities	5,235	-	5,235	-	-	-
<b>Total Liabilities</b>	<b>\$ 20,495</b>	<b>\$ 501</b>	<b>\$ 20,996</b>	<b>\$ 17,280</b>	<b>\$ 2,272</b>	<b>\$ 19,552</b>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 636,250	\$ 659,304	\$ 1,295,554	\$ 608,153	\$ 629,103	\$ 1,237,256
Restricted	110,494	-	110,494	79,363	-	79,363
Unrestricted	196,064	160,268	356,332	216,756	173,878	390,634
<b>Total Net Assets</b>	<b>\$ 942,808</b>	<b>\$ 819,572</b>	<b>\$ 1,762,380</b>	<b>\$ 904,272</b>	<b>\$ 802,981</b>	<b>\$ 1,707,253</b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

**Changes in Net Assets for the Fiscal Years Ending December 31, 2005 and December 31, 2004**

	2004			2005		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 121,859	\$ 67,008	\$ 188,867	\$ 64,296	\$ 71,686	\$ 135,982
Grants & Contributions	86,913	-	86,913	57,534	-	57,534
General Revenues						
Property Taxes	113,511	-	113,511	113,124	-	113,124
State Shared Revenue	67,864	-	67,864	68,207	-	68,207
Investment Earnings	1,815	1,185	3,000	2,729	2,529	5,258
Miscellaneous	18,163	-	18,163	19,586	-	19,586
Internal Charges	-	-	-0-	26,201	( 26,201 )	-0-
<b>Total Revenues</b>	<b>410,125</b>	<b>68,193</b>	<b>478,318</b>	<b>351,677</b>	<b>48,014</b>	<b>399,691</b>

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**Changes in Net Assets for the Fiscal Years Ending December 31, 2005 and December 31, 2004 - continued**

	2004			2005		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Expenses</b>						
General Government	\$ 36,963	\$ -	\$ 36,963	\$ 34,512	\$ -	\$ 34,512
Public Safety	66,772	-	66,772	79,824	-	79,824
Public Works	162,236	-	162,236	178,344	-	178,344
Health & Welfare	1,608	-	1,608	1,608	-	1,608
Recreation & Cultural	37,196	-	37,196	35,425	-	35,425
Interest on long-term debt	1,029	-	1,029	60,083	-	60,083
Other	56,874	78,435	135,309	417	64,605	65,022
<b>Total Expenses</b>	<b>362,678</b>	<b>78,435</b>	<b>441,113</b>	<b>390,213</b>	<b>64,605</b>	<b>454,818</b>
<b>Increase (decrease) In Net Assets</b>	<b>47,447</b>	<b>( 10,242 )</b>	<b>37,205</b>	<b>( 38,536 )</b>	<b>( 16,591 )</b>	<b>( 55,127 )</b>
Net Assets - Beginning	895,361	829,814	1,725,175	942,808	819,572	1,762,380
<b>Net Assets - Ending</b>	<b>\$ 942,808</b>	<b>\$ 819,572</b>	<b>\$ 1,762,380</b>	<b>\$ 904,272</b>	<b>\$ 802,981</b>	<b>\$ 1,707,253</b>

**Governmental Activities:**

The result of 2005 governmental activity was a decrease of \$38,536 in net assets to \$904,272. Of the total governmental activities' net assets, \$608,153 is invested in capital assets less related debt, \$79,363 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$216,756 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were property taxes at 32%, charges for services at 18%, and State shared revenue at 19%. The Village levied one property tax millage for the year ended December 31, 2005, for general government operations at 12.2612 mills, which is not assigned to any particular activity.

**Expenses:**

Public works is the largest governmental activity, expending approximately 46% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 20% of the governmental activities total on police protection.

**Business-type Activities:**

Net assets of business-type activities decreased by \$16,591 during 2005. Of the business-type activities' net assets, \$629,103 is invested in capital assets less related debt. The balance of \$173,878 is listed as unrestricted, having no legal commitment.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS**

As the Village completed 2005, its governmental funds reported *combined* fund balances of \$296,119. This is a net decrease of \$10,439. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Fire</b>	<b>Nonmajor Governmental Funds</b>
<b>Fund Balance 12/31/05</b>	\$ 159,179	\$ 18,685	\$ 60,678	\$ 51,154	\$ 6,423
<b>Fund Balance 12/31/04</b>	\$ 154,429	\$ 48,100	\$ 62,394	\$ 34,708	\$ 6,927
<b>Net Change</b>	\$ 4,750	\$ ( 29,415 )	\$ ( 1,716 )	\$ 16,446	\$ ( 504 )

**General Fund:**

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2005, the General Fund reported a fund balance of \$159,179. This amount is an increase of \$4,750 from the fund balance of \$154,429 reported as of December 31, 2004. The 2005 original budget called for a \$49,785 use of fund balance. \$26,397 of fund balance is reported as reserved.

The General Fund 2005 revenues exceeded 2005 expenditures and other financing uses by \$4,750.

**General Fund Budgetary Highlights:**

The Village of Maple Rapids' budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$284,738, \$24,905 above the final amended budget. The original budget was amended downward by \$5,200 during the year.

The Village's expenditure budget was increased by \$24,213 (8% above the original budget) during 2005. The balance on the increase was related to repairs and trash collection as well as an overall rise in personnel costs.

Actual Village expenditures for 2005 were \$59,043 under budget. General Fund actual expenditures came in at \$272,988 and the final budgeted amount was \$332,031, which was an 18% difference.

**Major Street Fund:**

As of December 31, 2005, the Major Street Fund reported a fund balance of \$18,685, a decrease of \$29,415 from the prior year. The total fund balance is undesignated/unreserved.

The revenue budget was not amended during 2005. The expenditure budget increased by \$36,500 (112% above the original budget) to appropriate funds for street improvements.

**Local Street Fund:**

As of December 31, 2005, the Local Street Fund reported a fund balance of \$60,678, a decrease of \$1,716 from the prior year. The total fund balance is undesignated/unreserved. There were no changes to the revenue budget for 2005. The budget increased for the expenditures and other financing sources by \$7,800 (39% increase over the original budget).

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**Fire Fund:**

As of December 31, 2005, the Fire Fund reported a fund balance of \$51,154, an increase of \$16,446 over the prior year. The total fund balance is undesignated/unreserved. There were no changes to the revenue budget for 2005. Expenditures budget was increased by \$9,562 (34% increase over the original budget) during 2005.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of year 2005, the Village had invested \$1,242,491, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$1,201,991 for the primary government. Depreciation charges for the fiscal year totaled \$91,666 for the primary government. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net book value of capital assets at December 31, 2005 was as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Buildings, net</b>	\$ 156,759	\$ -	\$ 156,759
<b>Furniture and equipment, net</b>	163,827	7,161	170,988
<b>Vehicles, net</b>	249,555	-	249,555
<b>Sewer system, net</b>	-	270,366	270,366
<b>Utility plant, wells, and mains, net</b>	-	351,576	351,576
<b>Infrastructure, net</b>	43,247	-	43,247
<b>Capital assets, net</b>	<b>\$ 613,388</b>	<b>\$ 629,103</b>	<b>\$ 1,242,491</b>

Long-term Debt - As of December 31, 2005, the Village had \$5,235 in debt outstanding for the primary government. This level of net obligation is \$4,968 less than the obligation recorded as of December 31, 2004.

**Outstanding Debt as of December 31, 2005:**

	<b><u>Jan. 1, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2005</u></b>
<b>Primary Government</b>				
Governmental Activities				
Capital lease - police car	\$ 10,203	\$ -	\$ 4,968	\$ 5,235

A more detailed discussion of the Village's long-term debt obligations is presented in Note G to the financial statements.

**VILLAGE OF MAPLE RAPIDS GOVERNMENT ECONOMIC OUTLOOK:**

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of the Village of Maple Rapids.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are improving from historically low levels.
- Health insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

- In 2006 the Village is working on a possible Sewer Project. The Village is trying to get a grant to cover some of the cost. The rest of the cost will have to be covered by part of the current investment portfolio and possibly a bond. Water and Sewer rates may be affected.

These and many other factors were considered in adopting the Budget for 2006. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

**CONTACTING THE VILLAGE**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 682-9227.

## **BASIC FINANCIAL STATEMENTS**

Village of Maple Rapids

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 278,561	\$ 163,335	\$ 441,896
Receivables	6,396	16,299	22,695
Due from other governmental units	19,723	-	19,723
Internal balances	3,484	(3,484)	-0-
Total current assets	308,164	176,150	484,314
Noncurrent assets			
Capital assets being depreciated, net	613,388	629,103	1,242,491
TOTAL ASSETS	921,552	805,253	1,726,805
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	4,464	2,272	6,736
Accrued wages	2,757	-	2,757
Other accrued liabilities	1,824	-	1,824
Deferred revenue	3,000	-	3,000
Current portion of long-term debt	5,235	-	5,235
TOTAL LIABILITIES	17,280	2,272	19,552
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	608,153	629,103	1,237,256
Restricted for streets and highways	79,363	-	79,363
Unrestricted	216,756	173,878	390,634
TOTAL NET ASSETS	\$ 904,272	\$ 802,981	\$ 1,707,253

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 34,512	\$ 1,204	\$ -	\$ -	\$ (33,308)	\$ -0-	\$ (33,308)
Public safety	79,824	33,000	-	6,464	(40,360)	-0-	(40,360)
Public works	178,344	19,198	51,070	-	(108,076)	-0-	(108,076)
Health and welfare	1,608	-	-	-	(1,608)	-0-	(1,608)
Recreation and cultural	35,425	10,894	-	-	(24,531)	-0-	(24,531)
Other	60,083	-	-	-	(60,083)	-0-	(60,083)
Interest on long-term debt	417	-	-	-	(417)	-0-	(417)
Total governmental activities	390,213	64,296	51,070	6,464	(268,383)	-0-	(268,383)
Business-type activities							
Sewer	36,579	35,107	-	-	-0-	(1,472)	(1,472)
Water	28,026	36,579	-	-	-0-	8,553	8,553
Total business-type activities	64,605	71,686	-0-	-0-	-0-	7,081	7,081
Total	\$ 454,818	\$ 135,982	\$ 51,070	\$ 6,464	(268,383)	7,081	(261,302)
General revenues							
Property taxes					113,124	-	113,124
State shared revenue					68,207	-	68,207
Investment earnings					2,729	2,529	5,258
Miscellaneous					19,586	-	19,586
Internal charges					26,201	(26,201)	-0-
Total general revenues and internal charges					229,847	(23,672)	206,175
Change in net assets					(38,536)	(16,591)	(55,127)
Net assets, beginning of the year					942,808	819,572	1,762,380
Net assets, end of the year					\$ 904,272	\$ 802,981	\$ 1,707,253

See accompanying notes to financial statements.



Village of Maple Rapids

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Major Street	Local Street
<b>ASSETS</b>			
Cash	\$ 124,838	\$ 16,968	\$ 62,669
Accounts receivable	6,326	-	-
Due from other governmental units	12,233	5,294	2,196
Due from other funds	8,248	-	-
Advance to other funds	26,397	-	-
<b>TOTAL ASSETS</b>	<u>\$ 178,042</u>	<u>\$ 22,262</u>	<u>\$ 64,865</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,079	\$ -	\$ -
Accrued wages	2,757	-	-
Other accrued liabilities	1,824	-	-
Due to other funds	10,203	3,577	1,187
Advance from other funds	-	-	-
Deferred revenue	-	-	3,000
<b>TOTAL LIABILITIES</b>	18,863	3,577	4,187
<b>FUND BALANCES</b>			
Reserved for			
Advance to other funds	26,397	-	-
Unreserved			
Undesignated, reported in			
General fund	132,782	-	-
Special revenue funds	-	18,685	60,678
<b>TOTAL FUND BALANCES</b>	<u>159,179</u>	<u>18,685</u>	<u>60,678</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 178,042</u>	<u>\$ 22,262</u>	<u>\$ 64,865</u>

See accompanying notes to financial statements.

Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ 67,013	\$ 7,073	\$ 278,561
-	70	6,396
-	-	19,723
10,923	-	19,171
-	-	26,397
<u>\$ 77,936</u>	<u>\$ 7,143</u>	<u>\$ 350,248</u>
\$ 385	\$ -	\$ 4,464
-	-	2,757
-	-	1,824
-	720	15,687
26,397	-	26,397
-	-	3,000
26,782	720	54,129
-	-	26,397
-	-	132,782
51,154	6,423	136,940
51,154	6,423	296,119
<u>\$ 77,936</u>	<u>\$ 7,143</u>	<u>\$ 350,248</u>

Village of Maple Rapids

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2005

**Total fund balance - governmental funds** \$ 296,119

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,025,126	
Accumulated depreciation is	<u>(411,738)</u>	
Capital assets, net		613,388

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Capital lease payable	<u>(5,235)</u>
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**Net assets of governmental activities** \$ 904,272

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2005

	General	Major Street
REVENUES		
Taxes	\$ 113,124	\$ -
Intergovernmental	75,275	36,105
Charges for services	40,638	-
Interest and rents	46,631	552
Other	9,070	-
	<hr/>	<hr/>
TOTAL REVENUES	284,738	36,657
EXPENDITURES		
Current		
General government	25,723	-
Public safety	25,411	-
Public works	143,024	36,701
Health and welfare	1,608	-
Recreation and cultural	11,754	-
Other	60,083	-
Debt service	5,385	-
Capital outlay	-	24,886
	<hr/>	<hr/>
TOTAL EXPENDITURES	272,988	61,587
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,750	(24,930)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(7,000)	(4,485)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(7,000)	(4,485)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,750	(29,415)
Fund balances, beginning of year	154,429	48,100
	<hr/>	<hr/>
Fund balances, end of year	\$ 159,179	\$ 18,685
	<hr/>	<hr/>

See accompanying notes to financial statements.

Local Street	Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 113,124
14,966	-	-	126,346
-	33,000	7,644	81,282
824	182	21	48,210
-	1,865	11,900	22,835
15,790	35,047	19,565	391,797
-	-	-	25,723
-	18,396	-	43,807
18,477	-	-	198,202
-	-	-	1,608
-	-	20,069	31,823
-	-	-	60,083
-	-	-	5,385
3,514	7,205	-	35,605
21,991	25,601	20,069	402,236
(6,201)	9,446	(504)	(10,439)
4,485	7,000	-	11,485
-	-	-	(11,485)
4,485	7,000	-0-	-0-
(1,716)	16,446	(504)	(10,439)
62,394	34,708	6,927	306,558
\$ 60,678	\$ 51,154	\$ 6,423	\$ 296,119

Village of Maple Rapids

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

**Net change in fund balances - total governmental funds** \$ (10,439)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 28,400
Depreciation expense	<u>(61,465)</u>

Excess of depreciation expense over capital outlay	(33,065)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	<u>4,968</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ (38,536)</u></u>
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See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2005

	Business-type Activities		
	Sewer System	Water System	Total
ASSETS			
Current assets			
Cash	\$ 90,188	\$ 73,147	\$ 163,335
Utilities receivable	7,965	8,334	16,299
Total current assets	98,153	81,481	179,634
Noncurrent assets			
Capital assets being depreciated, net	275,439	353,664	629,103
TOTAL ASSETS	373,592	435,145	808,737
LIABILITIES			
Current liabilities			
Accounts payable	191	2,081	2,272
Due to other funds	1,056	2,428	3,484
TOTAL LIABILITIES	1,247	4,509	5,756
NET ASSETS			
Invested in capital assets	275,439	353,664	629,103
Unrestricted	96,906	76,972	173,878
TOTAL NET ASSETS	\$ 372,345	\$ 430,636	\$ 802,981

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS

Year Ended December 31, 2005

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services	\$ 35,107	\$ 36,579	\$ 71,686
OPERATING EXPENSES			
Labor charges	4,974	7,523	12,497
Contractual services	10,725	3,472	14,197
Utilities	2,844	4,541	7,385
Repairs and maintenance	258	323	581
Equipment rental charges	5,899	7,805	13,704
Water/Sewer sample testing	2,340	1,010	3,350
Other	4,397	4,494	8,891
Depreciation	16,015	14,186	30,201
TOTAL OPERATING EXPENSES	47,452	43,354	90,806
OPERATING (LOSS)	(12,345)	(6,775)	(19,120)
NONOPERATING REVENUES			
Interest revenue	1,418	1,111	2,529
CHANGE IN NET ASSETS	(10,927)	(5,664)	(16,591)
Net assets, beginning of year	383,272	436,300	819,572
Net assets, end of year	\$ 372,345	\$ 430,636	\$ 802,981

See accompanying notes to financial statements.



Village of Maple Rapids

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2005

	Business-type Activities		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 34,911	\$ 36,717	\$ 71,628
Cash paid for labor charges	(4,974)	(7,523)	(12,497)
Cash paid to suppliers	(25,748)	(18,517)	(44,265)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,189</b>	<b>10,677</b>	<b>14,866</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	1,418	1,111	2,529
<b>NET INCREASE IN CASH</b>	<b>5,607</b>	<b>11,788</b>	<b>17,395</b>
Cash, beginning of year	84,581	61,359	145,940
Cash, end of year	<u>\$ 90,188</u>	<u>\$ 73,147</u>	<u>\$ 163,335</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (12,345)	\$ (6,775)	\$ (19,120)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	16,015	14,186	30,201
(Increase) decrease in utilities receivable	(196)	138	(58)
Increase in accounts payable	25	1,746	1,771
Increase in due to other funds	690	1,382	2,072
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 4,189</b></u>	<u><b>\$ 10,677</b></u>	<u><b>\$ 14,866</b></u>

See accompanying notes to financial statements.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Maple Rapids is located in Clinton County, Michigan and has a population of approximately 700. The Village of Maple Rapids operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President, Clerk, Treasurer, and six (6) trustees who are selected at large for overlapping four-year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Village of Maple Rapids (primary government).

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

As of April 2000, the activities of the Village of Maple Rapids Community Center were under the control of the Village. The operations of the Village of Maple Rapids Community Center are reported in a Special Revenue Fund identified as the Community Center Fund.

As of May 2004, the activities of the Village of Maple Rapids Riverfest Committee were under the control of the Village. The operations of the Village of Maple Rapids Riverfest Committee are reported in a Special Revenue Fund identified as the Riverfest Fund.

Based upon the application of these criteria, the financial statements of the Village of Maple Rapids contain all of the funds controlled by the Village Council.

2. Related Organization

Maple Rapids Public Library - The Maple Rapids Public Library was incorporated in 1928 under Public Act 84 of 1921. The Maple Rapids Public Library board is elected. The Village collects and distributes property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources used for repairs and maintenance of the Village's local streets.
- d. The Fire Fund is used to account for funds of the Village Fire Department.
- e. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- f. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the required supplementary information.

- a. The Treasurer submits to the Village Council the proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to the beginning of the fiscal year, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the activity level; however, they are maintained at the account level for control purposes.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting - continued

- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31, 2005 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council. Budget amendments are made every quarter. The individual amendments were appropriately approved by the Village Council in accordance with required procedures.

7. Cash

The Village pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing savings accounts.

8. Property Tax

The Village of Maple Rapids bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Maple Rapids on July 1 and are payable without penalty through September 14. All real property taxes not paid to the Village by September 14 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Collections and remittances of all taxes are accounted for in the General Fund. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended December 31, 2005, the Village levied 12.2612 mills for general governmental services. The total taxable value for the 2005 levy for property within the Village was \$8,637,770.

9. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers.

The General Fund records charges for administrative and labor services and equipment rental to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

10. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of one year or greater. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 years

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146..
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 167,306	\$ 177,320
Savings	<u>274,590</u>	<u>274,788</u>
	<u>\$ 441,896</u>	<u>\$ 452,108</u>

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of December 31, 2005, the Village accounts were insured by the FDIC for \$257,364 and the amount of \$194,744 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Interest rate risk

The Village has not adopted a policy that indicates how the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Village has not adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at December 31, 2005:

Due to General Fund from:	
Major Street Fund	\$ 3,577
Local Street Fund	1,187
Water System Fund	2,428
Sewer System Fund	<u>1,056</u>
	8,248

Village of Maple Rapids  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Due to Fire Fund from:	
General Fund	\$ 10,203
Nonmajor governmental funds	<u>720</u>
	<u>10,923</u>
Total interfund receivable and payables	<u>\$ 19,171</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Local Street Fund from:	
Major Street Fund	<u>\$ 7,000</u>
Transfers to Fire Fund from:	
General Fund	<u>\$ 4,485</u>

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the funds at December 31, 2005:

Advance to Fire Fund from:	
General Fund	<u>\$ 26,397</u>

The balance of \$26,397 advanced to the Fire Fund from the General Fund resulted from loans made for new equipment.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
<b>Governmental Activities</b>				
Capital assets being depreciated				
Infrastructure - streets	\$ 16,817	\$ 28,400	\$ -	\$ 45,217
Buildings	265,996	-	-	265,996
Vehicles	448,250	-	-	448,250
Furniture and equipment	<u>265,663</u>	<u>-</u>	<u>-</u>	<u>265,663</u>
Subtotal	996,726	28,400	-0-	1,025,126



Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE F: CAPITAL ASSETS - CONTINUED**

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
<b>Governmental Activities - continued</b>				
Less accumulated depreciation				
Infrastructure - streets	\$( 420 )	\$( 1,550 )	\$ -	\$( 1,970 )
Buildings	( 103,678 )	( 5,559 )	-	( 109,237 )
Vehicles	( 165,403 )	( 33,292 )	-	( 198,695 )
Furniture and equipment	( 80,772 )	( 21,064 )	-	( 101,836 )
Subtotal	( 350,273 )	( 61,465 )	-0-	( 411,738 )
Capital assets, net	<u>\$ 646,453</u>	<u>\$( 33,065 )</u>	<u>\$ -0-</u>	<u>\$ 613,388</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 8,789
Public safety	7,617
Public works	41,457
Recreation and cultural	<u>3,602</u>
Total	<u>\$ 61,465</u>

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
<b>Business-type activities</b>				
Capital assets being depreciated				
Utility plant, wells, and mains	\$ 652,219	\$ -	\$ -	\$ 652,219
Sewer system	735,563	-	-	735,563
Equipment	<u>31,574</u>	<u>-</u>	<u>-</u>	<u>31,574</u>
Subtotal	1,419,356	-0-	-0-	1,419,356
Less accumulated depreciation				
Utility plant, wells, and mains	( 287,122 )	( 13,521 )	-	( 300,643 )
Sewer system	( 450,572 )	( 14,625 )	-	( 465,197 )
Equipment	( 22,358 )	( 2,055 )	-	( 24,413 )
Subtotal	( 760,052 )	( 30,201 )	-0-	( 790,253 )
Capital assets, net	<u>\$ 659,304</u>	<u>\$( 30,201 )</u>	<u>\$ -0-</u>	<u>\$ 629,103</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2005.

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Amounts Due Within One Year
Capital Lease - Police Car	<u>\$ 10,203</u>	<u>\$ -</u>	<u>\$ 4,968</u>	<u>\$ 5,235</u>	<u>\$ 5,235</u>

Village of Maple Rapids  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**

The Village has entered into a lease purchase agreement to finance the acquisition of a police car, for which the liability is recorded in the Government-wide Financial Statements. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at a bargain price) and therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase amounted to \$16,200.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,235	\$ 150

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Village's budgeted expenditures in the General and major Special Revenue Funds have been shown at the activity level. The approved budgets of the Village have been adopted at the activity level and the total expenditure level for the General and Special Revenue Funds, respectively.

During the year ended December 31, 2005, the Village incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Executive	\$ 3,300	\$ 3,306	\$ 6
Public works			
Street lighting	10,000	10,119	119

**NOTE I: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of December 31, 2005:

Fund Balance

PRIMARY GOVERNMENT

  General Fund

    Reserved for advance to other funds \$ 26,397

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE J: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Streets and highways

Major streets

\$ 18,685

Local streets

60,678

\$ 79,363

**NOTE K: RISK MANAGEMENT**

The Village participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also maintains commercial insurance coverage for workers' compensation.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Current property taxes	\$ 112,633	\$ 112,633	\$ 113,124	\$ 491
Intergovernmental				
State shared revenue	67,000	67,000	68,207	1,207
Liquor license fees	500	500	604	104
Police grant	6,300	6,300	6,464	164
Total intergovernmental	73,800	73,800	75,275	1,475
Charges for services				
Administrative and labor charges	20,000	20,000	21,440	1,440
Trash collection	17,500	17,500	19,198	1,698
Total charges for services	37,500	37,500	40,638	3,138
Interest and rents				
Interest	500	500	1,150	650
Rent	600	600	600	-0-
Rent - equipment	29,000	29,000	44,881	15,881
Total interest and rents	30,100	30,100	46,631	16,531
Other revenue				
Reimbursements	9,000	3,800	4,439	639
Miscellaneous	2,000	2,000	4,631	2,631
Total other revenue	11,000	5,800	9,070	3,270
TOTAL REVENUES	265,033	259,833	284,738	24,905
EXPENDITURES				
General government				
Legislative	4,100	4,100	3,950	150
Executive	3,300	3,300	3,306	(6)
Financial administration	24,133	24,858	18,467	6,391
Total general government	31,533	32,258	25,723	6,535
Public safety				
Police	24,050	27,850	25,411	2,439
Public works				
Department of Public Works	106,700	121,750	107,146	14,604
Trash collection	23,000	26,000	25,759	241
Street lighting	10,000	10,000	10,119	(119)
Total public works	139,700	157,750	143,024	14,726

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES - CONTINUED				
Health and welfare				
Ambulance contracted services	\$ 1,700	\$ 1,700	\$ 1,608	\$ 92
Recreation and cultural				
Community center	4,250	4,350	3,538	812
Parks and recreation	10,000	10,000	1,993	8,007
Library	7,500	7,500	6,223	1,277
Total recreation and cultural	21,750	21,850	11,754	10,096
Other				
Fringe benefits	24,700	25,790	23,013	2,777
Insurance	43,000	43,000	33,231	9,769
Sidewalks	16,000	16,000	3,839	12,161
Total other	83,700	84,790	60,083	24,707
Debt service				
Principal	4,968	4,968	4,968	-0-
Interest	417	865	417	448
Total debt service	5,385	5,833	5,385	448
TOTAL EXPENDITURES	307,818	332,031	272,988	59,043
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,785)	(72,198)	11,750	83,948
OTHER FINANCING USES				
Transfers out	(7,000)	(7,000)	(7,000)	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(49,785)	(79,198)	4,750	83,948
Fund balance, beginning of year	154,429	154,429	154,429	-0-
Fund balance, end of year	\$ 104,644	\$ 75,231	\$ 159,179	\$ 83,948

Village of Maple Rapids

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - State	\$ 31,500	\$ 31,500	\$ 36,105	\$ 4,605
Interest	300	300	552	252
TOTAL REVENUES	31,800	31,800	36,657	4,857
EXPENDITURES				
Public works				
Administrative	2,400	2,400	1,265	1,135
Street maintenance	30,200	41,700	35,436	6,264
Capital outlay	-	25,000	24,886	114
TOTAL EXPENDITURES	32,600	69,100	61,587	7,513
EXCESS OF REVENUES (UNDER) EXPENDITURES	(800)	(37,300)	(24,930)	12,370
OTHER FINANCING USES				
Transfers out	(5,000)	(5,000)	(4,485)	515
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,800)	(42,300)	(29,415)	12,885
Fund balance, beginning of year	48,100	48,100	48,100	-0-
Fund balance, end of year	<u>\$ 42,300</u>	<u>\$ 5,800</u>	<u>\$ 18,685</u>	<u>\$ 12,885</u>

Village of Maple Rapids

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - State	\$ 10,600	\$ 10,600	\$ 14,966	\$ 4,366
Interest	200	200	824	624
TOTAL REVENUES	10,800	10,800	15,790	4,990
EXPENDITURES				
Public works				
Administrative	2,700	2,700	1,455	1,245
Street maintenance	14,000	21,500	17,022	4,478
Capital outlay	3,300	3,600	3,514	86
TOTAL EXPENDITURES	20,000	27,800	21,991	5,809
EXCESS OF REVENUES (UNDER) EXPENDITURES	(9,200)	(17,000)	(6,201)	10,799
OTHER FINANCING SOURCES				
Transfers in	5,000	5,000	4,485	(515)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(4,200)	(12,000)	(1,716)	10,284
Fund balance, beginning of year	62,394	62,394	62,394	-0-
Fund balance, end of year	\$ 58,194	\$ 50,394	\$ 60,678	\$ 10,284



Village of Maple Rapids

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 33,000	\$ 3,000
Interest	175	175	182	7
Other	-	-	1,865	1,865
TOTAL REVENUES	30,175	30,175	35,047	1,872
EXPENDITURES				
Public safety				
Fire protection	23,300	28,300	18,396	9,904
Capital outlay	5,000	9,562	7,205	2,357
TOTAL EXPENDITURES	28,300	37,862	25,601	12,261
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,875	(7,687)	9,446	17,133
OTHER FINANCING SOURCES				
Transfers in	7,000	7,000	7,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	8,875	(687)	16,446	17,133
Fund balance, beginning of year	34,708	34,708	34,708	-0-
Fund balance, end of year	<u>\$ 43,583</u>	<u>\$ 34,021</u>	<u>\$ 51,154</u>	<u>\$ 17,133</u>

## OTHER SUPPLEMENTARY INFORMATION

Village of Maple Rapids  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2005

	Special Revenue		Total Nonmajor Governmental Funds
	Community Center	Riverfest	
ASSETS			
Cash	\$ 4,098	\$ 2,975	\$ 7,073
Accounts receivable	-	70	70
TOTAL ASSETS	<u>\$ 4,098</u>	<u>\$ 3,045</u>	<u>\$ 7,143</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 720	\$ -	\$ 720
Fund balances			
Unreserved			
Undesignated, reported in			
Special revenue funds	<u>3,378</u>	<u>3,045</u>	<u>6,423</u>
TOTAL FUND BALANCES	<u>3,378</u>	<u>3,045</u>	<u>6,423</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,098</u>	<u>\$ 3,045</u>	<u>\$ 7,143</u>

Village of Maple Rapids

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special Revenue		Total Nonmajor Governmental Funds
	Community Center	Riverfest	
REVENUES			
Charges for services	\$ 6,490	\$ 1,154	\$ 7,644
Interest	11	10	21
Other	4,054	7,846	11,900
TOTAL REVENUES	10,555	9,010	19,565
EXPENDITURES			
Recreation and cultural	12,353	7,716	20,069
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,798)	1,294	(504)
Fund balances, beginning of year	5,176	1,751	6,927
Fund balances, end of year	<u>\$ 3,378</u>	<u>\$ 3,045</u>	<u>\$ 6,423</u>

Principals

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MANAGEMENT LETTER

To the Honorable President and  
Members of the Village Council  
Village of Maple Rapids  
Maple Rapids, Michigan

As you know, we have recently completed our audit of the records of the Village of Maple Rapids as of and for the year ended December 31, 2005. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal controls and our discussions with management.

The Council should amend the Village's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Village has not amended their investment policy to address various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Village's funds. These resources are necessary for the delivery of the Village's services programs. Effective for the year ended December 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Village's ability to provide services and meet its obligations as they become due.

We suggest the Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Village's financial statements by GASB Statement No. 40.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated February 15, 2006.

This report is intended solely for the information of management and members of the Board of the Village of Maple Rapids and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 15, 2006